

**U.S. House of Representatives
Committee on Agriculture
Field Hearing
Fayetteville, NC
February 6, 2006
Jeff Bender, Norlina, North Carolina**

Good afternoon Chairman Goodlatte, Ranking Member Peterson, Subcommittee Chairman Hayes, my Congressman G. K Butterfield and Members of the House Agriculture Committee. I want to thank you for the opportunity to be here today to provide input from North Carolina dairy farmers at the very first Committee Field Hearing on the next Farm Bill.

I am a dairy farmer from Warren County, North Carolina. My wife Lisa and I have farmed there for 26 years. We've been dairy farmers for 15 of those years. I am here today representing my cooperative, Maryland & Virginia Milk Producers, the South East Dairy Farmers Association, the North Carolina Farm Bureau Dairy Committee and the North Carolina Dairy Producers Association.

There are currently about 350 dairy farmers in North Carolina. Last year we produced just over 1 billion pounds of milk. The dairy farmers in North Carolina and indeed the southeast would likely tell you that the current Farm Bill is doing a relatively good job both for the agriculture industry and for the taxpaying public. Milk prices have been strong by

historic standards for the past two years although current projections show significantly lower prices for the remainder of 2006. The CCC made no dairy product purchases under the Dairy Price Support Program in 2005 and has virtually no remaining inventory at this time. No payments were triggered in the Milk Income Loss Contract Program, which was just extended by Congress, for several months in a row.

Still, you've asked us here to look forward. Under current international trade rules, dairy farmers are looking to maintain their safety net including the Dairy Price Support Program and a countercyclical payment program. As I said before, the Dairy Price Support Program has sold back nearly its entire inventory to the market. Government programs that don't cost taxpayers are extremely rare but the Dairy Price Support Program is one. No dairy farmer in this country is going to try to produce milk for the Support level of \$9.90/cwt. So the program serves to keep the bottom from falling out while not being a factor in generating production. With no stimulative effect on milk production and the government able to recoup its costs, there is no justification for cutting the Dairy Price Support Program under current conditions.

One current Farm Bill program that needs to be more effective for farmers and taxpayers alike is the Dairy Export Incentive Program, or DEIP.

Export bonuses that should be available under DEIP help support the farm price of milk and reduce potential CCC purchases yet the DEIP goes underutilized, even in 2002 and 2003 when farm milk prices were the lowest in a generation. Full utilization of the DEIP during the remainder of this Farm Bill and in the next one is a priority of dairy farmers.

For the past three years, dairy farmers have funded and managed their own program to help ensure the milk supply better matches demand. The Cooperatives Working Together, or CWT program, is designed to work with, not replace, the dairy farmer safety net. A fully-functional Dairy Price Support Program and DEIP help make CWT more effective just as CWT helps reduce CCC surplus product purchases.

The dairy countercyclical payment program, MILC, clearly helped farmers in North Carolina get through those months in 2002 and 2003 when we saw the lowest farm milk prices in a generation. Farmers in the state collected \$17 million during that time. Still, we recognize that program is not universally popular among U.S. dairy farmers. In fact, the extension of the program that just passed the Congress includes a compromise.

What we need in North Carolina, and the entire southeast, is incentives for getting milk into the region to supply our steadily growing market. The Federal Milk Market Order Program has some aspects that are

very helpful. Class I location differentials, calculated to reflect the actual cost of moving supplemental milk into the area, are helpful. But those calculations were made before diesel fuel doubled in cost over the past year. In 2005, the pay price at Charlotte, for example, averaged 42-cents below the average federal order minimum at the same location. As one of the dairy farmers who sees that extra cost of moving supplemental milk come out of his milk check every month, it's time for reality to set in and for adjustments on ways to re-coup those costs to be made. In fact, it may be time to consider modifying the traditional link between minimum prices for manufacturing milk and minimum prices for milk sold in beverage form to provide more flexibility in pricing milk that goes into Class I sales.

The industry has a proposal in to USDA to increase transportation credits to help bring milk in and to establish inter-market credits to help offset costs. Our problem, however, is that diesel fuel prices are high NOW but getting a decision out of USDA on transportation credits can take months or years. We need a Federal Order system that can respond in a timely fashion when changes are needed. Give everyone their say at the hearing and the opportunity to file written comments while the hearing record is open, but then give USDA personnel, professional staff and political appointees alike, some deadlines to meet.

One concept we don't need is forward contracting with private milk handlers. A pilot program mandated by Congress has been conducted and the results were mixed, at best. Most important, however, is that forward contracting between producers and private handlers is inconsistent with the role Federal Orders are supposed to play. Please don't be swayed by the argument that cooperatives can do it so private handlers should be able to as well. There is no equivalency between the relationship a producer selling to a private handler has with the buyer of his milk and the relationship the cooperative member producer has with his co-op. There is also no equivalency with the contracted purchases farmers make for feed commodities. Those commodities do not have minimum pricing programs in which announced prices are calculated using surveys of current market prices being paid for milk.

Speaking of other commodities, I'd like to point out that the grain and oilseed programs have a great affect on the bottom line for dairy farmers just as the Dairy Price Support Program has an affect on the bottom line for farmers who produce grains and oilseeds. These programs are intertwined and respective safety nets cannot be changed without a likely affect on the other programs. Without a dairy safety net, dairy farmers would have to cut back even further on purchases of grain and oilseed meal during periods of

very low prices like we had in 2002 and 2003. We need a careful examination of cause and affect on the other programs before singling out any one industry's safety net for change.

The Conservation Title Programs in the current Farm Bill have been very valuable to farmers in North Carolina. The Environmental Quality Incentives (EQIP) Program cost-share assistance is working. In 2005, North Carolina had 1,445 contracts totaling \$15 million in cost-share assistance on farms. Still, the program could do more. Those 1,445 projects were chosen from 3,419 applications so nearly 2,000 requests for assistance could not be funded.

The Conservation Security Program (CSP) is one that holds significant potential, especially for my neighbors and I. My farm is located in a primary watershed for CSP and the funds available for Tier I, II and III environmental improvement practices will be a major incentive to implement those practices. Perhaps more important, these kinds of programs likely provide a look at how financial assistance may be delivered to farmers if the current production-linked system cannot continue due to future international trade agreements. That transition, however, will not be easy and providing advice and assistance for farmers in making those changes is the only fair way to proceed.

On the same subject, nutrient management is a priority for North Carolina dairy farmers. Opportunities exist for improving incentives for farmers to become energy suppliers. The need is clearly there, current oil prices make it more cost effective and farms produce by-products that can be turned into energy. Transition assistance will be required, however. For example, methane digesters are costly but do fit some operations. Cost-share assistance for installation, tax credits and, in some states, prodding utilities to buy the power produced on farms will help. The next Farm Bill should include an Energy Title with significantly ramped-up incentives for on-farm power generation.

EQIP, CSP and incentives for energy production all work together to help farmers handle environmental impact issues but there must be a realistic regulations based on valid science and effective mitigation technologies. Today, farmers are being sued under provisions of environmental laws like the Superfund law that the Congress never meant to apply to agriculture. That situation must be clarified by the Congress or individual farmers will be at risk of being sued out of business.

Food Programs in the Farm Bill are very important to some of our most vulnerable neighbors. They are also important to North Carolina dairy farmers. American taxpayers know they are getting bang for their nutrition

buck, in part, with dairy requirements in the Womens', Infants and Children (WIC) Program. Nutrition mandates for other healthful foods can be included in programs like WIC but funding must be made available in order to do that without eroding the positive aspects of the programs as they stand currently.

While this is not a Farm Bill issue American agriculture, and for that matter anyone in this country who eats, has a stake in getting immigration reform right. I encourage the Members of the House Agriculture Committee to do what you can to help educate your colleagues on the realities facing agriculture and, for that matter the entire U.S. economy if we don't implement a fair, effective and realistic guest worker program.

An important program both for food safety and national security is an effective, mandatory animal identification program. Again, not necessarily a Farm Bill issue but one that is very much on the minds of livestock producers including dairy farmers. The program must be effective in maintaining consumer confidence in the safety of the food supply in the event of a crisis. But because those benefits go not just to livestock producers but to the general public as well as to national security, it is fair that the costs of such a system not be borne by farmers alone.

Thank you again Mr. Chairman and Members of the Committee for allowing me to be here today to present the views of North Carolina dairy farmers on the next Farm Bill. I would be happy to try to answer questions you may have about our issues.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Jeffrey Paul Bender
Address: 117 Twin Hollies Ln. Norlina NC 27563
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Organization you represent (if any): NC Farm Bureau, NC Dairy Producers Assoc., Southeast Dairy Farmers, Md/Va Milk Producers.

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: _____
Source: N/A Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: N/A Amount: _____
Source: N/A Amount: _____

Please check here if this form is NOT applicable to you: X

Signature: Jeffrey P. Bender

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

